

Internal Revenue Service  
District Director

Department of the Treasury  
401 West Peachtree Street, N.W.  
Technical Review Staff Stop 516-D  
Atlanta, GA 30365

Person to Contact: [REDACTED]

Telephone Number: [REDACTED]

Employer Identification Number: [REDACTED]

Date: FEB. 26 1986

2 02 474 803  
CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Dear Applicant:

We have considered your application for exemption from Federal income tax under section 501(c)(4) of the Internal Revenue Code of 1986.

The information submitted shows that you were organized [REDACTED]. Your purpose is to promote the health, recreation, safety and welfare of your members and for the improvement and maintenance of the common areas of the subdivision where your members reside.

Your activities consist of maintaining the entrance, streets and sidewalks of the subdivision, coordinating recreational activities, providing security under the "Neighborhood Watch" concept, publishing a newsletter and enforcing restrictive covenants on the homes comprising the [REDACTED] subdivision. Membership is open to property owners of the subdivision and all are currently members. The subdivision consists of [REDACTED] detached single family residences. It does not represent a governmental unit or tax district.

Section 501(c)(4) of the Code provides for the exemption of civic leagues or organizations not operated for profit and operated exclusively for the promotion of social welfare.

Revenue Ruling 72-102, 1972-1 C.B. 149 held that a nonprofit organization formed to preserve the appearance of a housing development and to maintain streets, sidewalks, and common areas for use of the residents is exempt under section 501(c)(4) of the Code.

Revenue Ruling 74-99, 1974-1 C.B. 131 modified Revenue Ruling 72-102 and required that a association, to qualify for exemption under section 501(c)(4) of the Code, (1) must serve a "community" which bears a reasonably recognizable relationship to an area ordinarily identified as governmental, (2) it must not conduct activities directed to the exterior maintenance of private residences, and (3) the common areas or facilities it owns and

maintains must be for the use and enjoyment of the general public. It stated that while an exact delineation of the boundaries of a "community" contemplated by section 501(c)(4) is not possible the term as used in that section has traditionally been construed as having reference to a geographical unit bearing a reasonably recognizable relationship to an area ordinarily identified as a governmental subdivision or a unit or district thereof. It further clarified that Revenue Ruling 72-102 was intended only to approve ownership and maintenance by a association of such areas as roadways and parklands, sidewalks, and streetlights, which access to, or for which the use and enjoyment of, is intended for members of the general public, as distinguished from controlled use or access restricted to the members of the homeowners association.

Since membership is limited to property owners of the [redacted] subdivision your activities are not limited to the ownership and maintenance of such areas as streets, parklands, sidewalks and streetlights, the organization has a provision to enforce restrictive covenants, and you do not meet the definition of a governmental unit; you are organized and operated for the individual business or personal benefit of your individual members. Therefore, you do not qualify for exempt status under section 501(c)(4) of the Code or under any related paragraph of the section 501(c).

Since your organization is not exempt you would be required to file a Federal income tax return on Form 1120 for the period ending December 31, 1994.

If you do not agree with our proposed denial, we recommend that you request a conference with a member of the Regional Director of Appeals Staff. Your request for a conference should include a written appeal signed by an authorized officer giving the facts, law and any other pertinent information to support your position as explained in the enclosed Publication 892. If you are to be represented by someone who is not one of your authorized officers, he/she will need to file a power of attorney or tax information authorization and be qualified to practice before the Internal Revenue Service as provided in Treasury Department Circular No. 230. The conference may be held at the Regional office or, if you request, at any mutually convenient District Office.

If we do not hear from you within 30 days, this letter will become our final determination.

Sincerely yours,

[redacted]  
District Director

Enclosure:  
Publication 892  
State Attorney General